

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL MEMORANDUM**

SB 299 - HB 674

March 8, 2021

SUMMARY OF ORIGINAL BILL: Establishes “food hall” as a type of premises on which certain sales and consumption of alcoholic beverages is authorized. Authorizes one entity, Food Hall Co. in Davidson County, to sell alcoholic beverages for on-premises consumption as a food hall. Authorizes licensed food halls to grant a franchise to any person who regularly prepares and sells food on the food hall premises. Authorizes licensed food halls to suspend or revoke franchisee licenses. Requires any franchisee of a food hall to pay the Alcoholic Beverage Commission \$625. Establishes a \$1,250 annual fee for a food hall, payable to the ABC. Requires the ABC to fine points of sale separately who serve alcohol within the food hall premises, unless a reasonable investigation shows that it is unknown which point of sale made the violation at which point the ABC may fine an area within the food hall. Authorizes the ABC to fine, suspend or revoke franchises.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

Exceeds \$4,700/FY21-22/ABC Fund
Exceeds \$4,400/FY22-23 and Subsequent Years/ABC Fund
Exceeds \$46,300/FY21-22 and Subsequent Years/General Fund

Increase Local Revenue –

Exceeds \$36,900/FY21-22 and Subsequent Years/Permissive

SUMMARY OF AMENDMENT (004457): Deletes and rewrites all language after the enacting clause such that the only substantive change is to remove certain specific criteria regarding the specifications of the glassware to be used by franchisees under a food hall license, and the authority of the food hall over its franchisees.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On March 8, 2021, a fiscal memorandum was issued for this legislation. The fiscal memorandum is being corrected in order to correct the summary and assumptions due to additional information that was received regarding the amendment. The estimated fiscal impact remains unchanged.

Unchanged from the original fiscal note.

Corrected assumptions for the bill as amended:

- It is estimated at least one entity in Davidson County will apply for a food hall license.
- There is an initial application fee of \$300 and a \$1,250 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC) for the food hall license.
- It is estimated there will be at least five franchisees from the food hall licensee which will pay the annual \$625 fee to ABC.
- A total increase in state revenue to ABC of at least \$4,675 [$\$300 + \$1,250 + (\$625 \times 5)$] in FY21-22 and an increase in state revenue to ABC of \$4,375 [$\$1,250 + (\$625 \times 5)$] in FY22-23 and subsequent years.
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$4,375 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Davidson County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- Based on historical LBD tax return data, the average taxable base per establishment is estimated to be approximately \$130,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size and location of these particular venues, the recurring increase in sales is estimated to be \$65,000 ($\$130,000 \times 50\%$) per year per venue.
- The recurring increase in state revenue to the General Fund in FY21-22 and subsequent years is estimated to be at least \$46,303 $\{[(\$65,000 \times 7.0\%) - (\$65,000 \times 7.0\% \times 3.617\%) + (\$65,000 \times 15.0\% \times 50.0\%)] \times 5\}$.
- The recurring increase in local revenue in FY21-22 and subsequent years is estimated to be at least \$36,885 $\{ \$4,375 + [(\$65,000 \times 2.25\%) + (\$65,000 \times 7.0\% \times 3.617\%) + (\$65,000 \times 15.0\% \times 50.0\%)] \times 5 \}$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive style with a large, stylized 'B' and 'S'.

Bojan Savic, Interim Executive Director

/aw